THE PRESIDENT'S ANNUAL MESSAGE TO CONGRESS

To the Senate and House of Represen-

T THE OUTGOING of the old and the incoming of the new century you begin the last session of the Fifty-sixth congress with evidences or every hand of individual and national prosperity and with proof of the growing strength and increasing power for good of republican institutions. Your countrymen will join with you in felicitation that American liberty is nore firmly established than ever before, and that love for it and the determination to preserve it are more universal than at any former period of our history.

The Republic was never so strong, cause never so strongly intrenched in the hearts of the people as now. The 'onstitution, with few amendments, exists as it left the hands of its authlors. The additions which have been made to it proclaim larger freedom and ore, extended citizenship. Popular government - has demonstrated in its ne hundred and twenty-four years of ial here its stability and security, and its efficiency as the best instrument of Inational development and the best safeguard to human rights.

When the Sixth congress assembled in November, 1800, the population of The United States was 5,308,483. It is Inow 76,304,799. Then we had sixteen States. Now we have forty-five. Then four territory consisted of 909,050 square miles. It is now 3,846,595 square miles. Education, religion, and morality have kept pace with our advancement in other directions, and while extending Its power the government has adhered to its foundation principles and abated mone of them in dealing with our new peoples and possessions. A nation so preserved and blessed gives reverent thanks to God and invokes His guidange and the continuance of His care

The Chinese Problem.

IN OUR foreign intercourse the dominant question has been the treatment of the Chinese problem. Apart from this our relations with the

powers have been happy.

The recent troubles in China spring from the anti-foreign agitation which for the past three years has gained strength in the northern provinces. Their origin lies deep in the character of the Chinese race and in the traditions of their government. The Taiping rebellion and the opening of the Chinese ports to foreign trade and settlement disturbed alike the homogeneity and

the seclusion of China.

Meanwhile foreign activity made itself felt in all quarters, not alone on the coast, but along the great river arteries and in the remoter dis-friets, carrying new ideas and introducing new associations among a primitive people which had pursued for centuries a national policy of isola-

The telegraph and the railway spreading over their land, the steamers plying on their water ways, the merchant and the missionary penetratto the Chinese mind types of an alien invasion, changing the course of their national life and fraught with vague forebodings of disaster to

eir beliefs and their self-control. For several years before the present troubles all the resources of foreign diplomacy, backed by moral demonstrations of the physical force of fleets and arms, have been needed to secure due respect for the treaty rights of foreigners and to obtain satisfaction from the responsible authorities for the sporadic outrages upon the persons of unoffending s from time to time occurred at widely separated points in the northern provinces, as in the case

currence, which the repeated reprobation o e imperial power failed to check or punish These inflammatory appeals to the ignorance an superstition of the masses, mendacious and absur-in their accusatious and deeply hostile in their spirit could not but work comulative harm they were impartial in attacking everything to

ing of seditions placards, exhorting to the utter destruction of foreigners and of every foreign thing, continued unrebuked. Hostile demonstrations toward the stranger gained strength by o

The Boxers.

The sect, commonly styled the Boxers, deveoped greatly in the provinces north of the Yang Tsc. and with the collusion of many notable offi cials, including some of the immediate councils of the torque itself, became alarmingly aggres No foreigner's life, outside of the

est was secure from spoliation.

The diplomatic representatives of the powers in Pekin strove in value to check this movement. Protest was followed by demand and demand by renewed protest, to be met with perfunctor from the palace and evasive and futil assurances from the tsung-li-vamen. The circle of the Boxer influence parrowed about Pekis while nominally stigmatized as seditions, was felt that its spirit pervaded the capital selt, that the insperial forces were imbued with its doctrines and that the immediate counselors of the Empress Dowager were in full sympath

ith the anti-foreign movement.

The increasing gravity of the conditions China and the imminence of peril to our own diversified interests in the empire, as well as to those of all the other treaty governments, were soon appreciated by this government, causing it profound solicitude. The United States from the carliest days of foreign intercourse with China had followed a policy of peace, omitting no occasions to testify good will, to further the exten-sion of lawful trade, to respect the sovereignty of its government, and to insure by all legitimate and kindly but earnest means the fullest measprotection for the lives and property of our law-abiding citizens and for the exercise of their beneficent callings among the Chinese pe

pleanad a The Open Door.

Mindful of this it was felt to be appropriate that san purposes should be pronounced in favor of such course as would hasten united action of the powers at Pekin to promote the administrative reforms so greatly needed for strengthening the integrity of China, in which we believed the world was a world to be allowed. whole western world to be alike concerned. roffinge ends I caused to be addressed to the several powers occupying territory and main-taining spheres of influence in China the circusals of 1899, inviting from them decla-f their intentions and views as to the desirability of the adoption of measures insur-ing the benefits of equality of treatment of all foreign trade throughout China. With gratifying unanimity the responses cu-

in this common policy, enabling me otiations proof of the friendly spirit which aninatos the various powers interested in the un gled development of commerce and indi the Chinese empire as a source of vast

In this conclusion, which I had the gratifica tion to amounce as a completed engagement to the interested powers on March 20, 1900, I hope ment of the distrust of foreign purposes which for a pear past had appeared to inspire the pot-icy of the imperial government, and for the ef-fective exertion by it of power and authority to ouell the critical anti-foreign process. quell the critical anti-foreign movement in the northern provinces most immediately influenced

Seeking to testify confidence in the willing ness and ability of the imperial administration to regress the wrongs and prevent the evils we suffered and feared, the marine guard, which had e marine guard, which had been sent to Pekin in the autumn of 1809 for the o Pekin in the autumn of 1800 for the Reinforcements sent by all the co-operating gov-of the legation, was withdrawn at ernments were constantly arriving. The United

mestions were remitted, as far as we were con

Chinese Government Inefficient.

The Chinese government proved, however, at to check the rising strength of the Boxers and appeared to be a prey to internal dieser sions. In the unequal contest the anti-foreign in fluences soon gained the ascendancy under the leadership of Prince Tuan. Organized armies of Boxers, with which the imperial forces affiliated, held the country between Pekin and the coast, penetrated into Manchucia up to the Russian sorders, and through their emissaries threatened a like rising throughout northern China.

Attacks upon foreigners, destruction of their

property, and slaughter of native converts were reported from all sides. The tsun-li-yamen, al-ready permeated with hostile sympathies, could make no effective response to the appeals of the legations. At this critical juncture, in the early legations. At this critical part was made by the spring of this year, a proposal was made by the other powers that a combined fleet should be as-sembled in Chinese waters as a moral demonstra-sembled in Chinese waters as a moral demonstration, under cover of which to exact of the Chinese government respect for foreign treaty right

and the suppression of the Boxers. The United States, while not participating in the joint demonstration, promptly sent from the Philippines all ships that could be spaced for service on the Chinese coast. A small force of marines were landed at Taku and sent to Pekin for the protection of the American legation, Other powers took similar action, until some four hundred men were assembled in the capital as legation guards.

Still the peril increased, The legations re-ported the development of the seditious move-ment in Pekin and the need of increased provision for defense against it. While preparations were in progress for a larger expedition, to strengthen the legation guards and keep the railway open, an attempt of the foreign ships to make a landing at Takua was met by a fire from the Chinese forts. The forts were thereupon shelled by the foreign vessels, the American admiral taking no part in the attack, on the ground were not at war with China and that a hostile demonstration might consolidate the anti-foreign elements and strengthen the Boxers to

oppose the relieving column.

Two days later the Taku forts were captured after a sanguinary conflict. Severance of com-munication with Pekin followed, and a com-bined force of additional guards which was advancing to Pekin by the Pei-Ho, was checked at Langlang. The isolation of the legations was

Siege of Legations.

The siege and the relief of the legations has passed into undying history. In all the stirring chapter which records the heroism of the devoted band, clinging to hope in the face of despair, and the undaunted spirit that led their relievers through battle and suffering to the goal, it is a memory of which my countrymen may be justly proud that the honor of our flag was maintained alike in the siege and the rescue, and that stout American hearts have again set high, in fervent emulation with true men of other race and language, the indominable course. er race and language, the indomitable courage that ever strives for the cause of right and justice.

identical note from the vamen ordered each minister to leave Pekin, under a promised escort, within twenty-four hours. To gain time they replied, asking prolongation of the time, which was afterwards granted, and requesting an interview with the tsung-li-yamen on the following day. No reply being received, on the morning of the 20th the German minister, Baron Von Ketteler, set out for the yamen to obtain a re-

sponse, and on the way was murdered.

An attempt by the legation guard to recover his body was foiled by the Chinese. Armed forces turned out against the legations. Their quarters were surrounded and attacked. The mission com-pounds were abandoned, their inmates taking refuge in the British legation, where all the other legations and guards gathered for more effective defense. Four hundred persons were crowded in its narrow compass. Two thousand native converts were assembled in a near-by palace under protection of the foreigners. Lines of defense were strengthened, trenches dug, barri-

iege, which at once began, From June 20 until July 17, writes Minister longer, "there was scarcely an hour during which there was not firing upon some part of our lines and into some of the legations, varying om a single shot to a general and continuo roan a single shot to a general and continuous attack along the whole line." Artillery was placed around the legations and on the over-looking palace walls, and thousands of 3-inch shot and shell were fired, destroying some buildngs and damaging all. So quickly did the balls rain that, when the ammunition of the besieged ran low, five quarts of Chinese bullets vere gathered in an bour in one compound and

Incendiary Attempts.

Attempts were made to burn the legations by were successfully fought off, although the Austrian, Belgian, Italian and Dutch legations were hen and subsequently burned. f the native converts, directed by the mission ries, to whose helpful co-operation Mr. Conger awards unstinted pealse, the British legation was made a veritable fortress. The British minister, Sir Claude MacDonald, was chosen genral commander of the defense, with the sec-ctary of the American legation, Mr. E. G.

To save life and ammunition the besieged spar-ngly returned the incessant fire of the Chinese oldiery, fighting only to repell attack or make in occasional successful sortic for strategic ad-cantage, such as that of fifty-five American, British, and Russian marines led by Captain Myers, of the Unted States Marine Corps, which resulted the capture of a formidable barricade on the was held to the last, and proved an invaluable acquisition, because commanding gate which the relief column entered. During the siege the defenders lost sixte-field

Communications Opened. On July 14th the besieged had their first coin

whom a message came inviting to a conference, which was declined. Correspondence, lowever, ensued and a sort of armistice was agreed upon, which stopped the bombardment and lessened the rifle fire for a time. Even then no protection was given, save to send to the legations a mall supply of fruit and three sicks of flour. Indeed, the only communication had with the hinese government related to the occasional devery or dispatch of a telegram or to the deands of the Tsung-li Yamen for the withdrawal of the legations to the coast under escort. Not only are the protestations of the Chinese governnent that it protected and succored the lega-ions positively contradicted, but irresistible proof accumulates that the attacks upon them were made by Imperial troops, regularly uniformed, armed and officered and belonging to the command of Jung Lu, the Imperial com-mander in chief. Decrees encouraging the Hoxrs, organizing them under prominent Imperial officers, provisioning them, and even granting them, and even granting them large sums in the name of the Empress Bowager, are known to exist. Members of the Tang-li Yamen who counseled protection of the footbase was been dealers. foreigners were beheaded. * Even in the distanprovinces men suspected of foreign sympathy sere put to death, prominent among these being Chang Yenhoon, tormerly Chinese minister in Washington.

With the negotiation of the partial armistics promoted by the representations of the Chinese envoy in Washington, the way was opened for the conveyance to Mr. Conger of a test message sent by the secretary of state through the kind offices of Minister Wu Ting-fang. Mr. Conger's dispatched from Peking on Imy through the same channel, afforded to the outthe legations were still alive and hoping for suc-

Joint Relief Expedition.

This news stimulated the preparations for been organizing between Taku and the capital.

States contingent, hastily assembled from the Philippines or dispatched from this country, amounted to some 5,000 men, under the able command first of the lamented Colonel Liscum

and afterward of General Chaffee.

Toward the end of July the movement began. A severe conflict followed at Tientsin, in which Colonel Liseum was killed. The city was stormed and party destroyed. Its capture afforded the base of operations from which to make the final advance, which began in the first days of August, the expedition being made up of Japanese, Russian, British, and American troops at the outset.

Another battle was fought and won at Yang-Thereafter the disheartened Chinese troops offered little show of resistance. A feedays later the important position of Ho-si-woo A few was taken. A rapid march brought the united forces to the populous city of Tung Chow, which capitulated without a contest.

Legations Relieved.

On Aug. 14th, the capital was reached. After a brief conflict beneath the walls the relief colonn entered and the legations were saved. The ficers and men alike, in those distant climes and unusual surroundings, showed the same valor, discipline, and good conduct and gave proof of the same high degree of intelligence and effi-

The Imperial family and the government had fled a few days before. The city was without visible control. The remaining Imperial sol-diery had made on the night of the 13th a last attempt to exterminate the besieged, which was gallantly repelled. It fell to the occupying forces to restore order and organize a provisional elministration.

to the northern provinces. It is a relief to recall and a pleasure to record the loyal conduct of the viceroys and local authorities of the southern and castern provinces. Their efforts were continuously directed to the pacific control of the vast populations under their rule and to the scrupulous observance of foreign treaty rights. At critical moments they did not hesitate to memorialize the Throne, preing the pronunication, and the assertion of the Imperia outhority against the subversive elements. They naintained excellent relations with the official epresentatives of foreign powers. To their the consuls in removing many of the missionarie from the interior to places of safety. In this relation the action of the consuls should be highly commended. In Shangtung and eastern o their energy and the co-operation of America and foreign naval commanders, hundreds of for-eigners, including those of other nationalities

policy of the United States through all this trying period was clearly announced and scrupulously carried out. A circular note to the powers dated July 3 proclaimed our atti-Treating the condition in the north as vinces of the south and southeast had no share. we regarded the local authorities in the latter parters as representing the Chinese people with whom we sought to remain in peace and friend ship. Our declared aims involved no war against the Chinese nation. We adhered to the legitimate office of rescuing the imperiled legation, obtaining reduces for wrongs already suffered ccuring wherever possible the safety of Amerispread or the disorders of their recurrence. As was then said, "The policy of the govern-nent of the United States is to seek a solution which may bring about permanent safety and administrative entity, protect all rights guaranteed to friendly powers by treaty and interna-tional law, and safeguard for the world the principle of equal and impartial trade with all

arts of the Chinese empire," was only Faithful to those professions which, as it neutral. situation in China by negotilations for a settle-ment at the earliest possible moment. As soon as the sacred duty of relieving our legations and om active hostilities, leaving our legation unde in adequate guard in Pekin as a channel of ne others of the interested powers. Overtures of

Will Insist on Justice.

The Russian proposition looking to the restora ion of the imperial power in Pekin has been reparation for wrongs suffered and an enduring settlement that will make their recurrence im-possible can best be brought about under an authority which the Chinese nation reverences and obeys. While so doing we forego no jot of our undoubted right to exact exemplary and deterrent punishment of the responsible authors and abetters of the criminal acts whereby we and ther nations have suffered grievous injury have misled the unperial judgment and diverted the sovereign authority to their own guilty ends,

tional limits of retributive justice, Regarding this as the initial condition of an acceptable tlement between China and the powers, I said in my message of Oct. 18 to the Chinese "I trust that negotiations may begin so soo

and power to treat with just sterness the prin-cipal offenders, who are doubly culpable, not alone toward the foreigners, but toward your najesty, under whose rule the purpose of China o dwell in concord with the world had hitherto found expression in the welcome and protecion assured to strangers."

Taking, as a point of departure, the imperial edict appointing Earl Li Hung Chang and Princ

Ching plenipotentiaries to arrange a settlement, and the edict of Sept. 25, whereby certain high officials were designated for punishment, this government has moved, in concert with the other powers, toward the opening of negotiations, which Mr. Conger, assisted by Mr. Rockhill, has been authorized to conduct on behalf of the United States.

Working Toward a Settlement. General bases of negotiation formulated by government of the French republic en accepted with certain reservations as to details, made necessary by our own circum stances, but, like similar reservations by othe powers, open to discussion in the progress of the negotiations. The disposition of the emperor's covernment to admit liability for wrongs done foreign governments and their nationals, and act upon such additional designation of guilty persons as the foreign ministers at Pekin in a position to make, gives hope of complete settlement of all questions involved, assuring foreign rights of residence and interourse on terms of equality for all the world.

I regard as one of the essential factors of urable adjustment the securement of adequatguarantees for liberty of faith, since insecurity those natives who may embrace alien creeds is a scarcely less effectual assault upon the rights of foreign worship and teaching than

ould be the direct invasion thereof, The matter of indemnity for our wronged citi ens is a question of grave concern. Measured in money alone, a sufficient reparation may prone powers concur in emphatic disclaimers of any purpose of aggrandizement through the memberment of the empire. I am disposed to think that due compensation may be made in part by increased guarantees of security for forof all, by the opening of China to the equal con merce of all the world. These views have been and will be earnestly advocated by our representatives.

suggestion, that in the event of protracted di vergence of views in regard to indemnities the matter may be relegated to the court of arbitration at The Hague. I favorably incline to

to reach a solution no less conducive to the stability and enlarged prosperity of China itsel than immediately beneficial to the powers.

Other Foreign Relations.

THE PRESIDENT reviews at length the fortells of the exchange on June 2 of ratifications of a treaty of extradition with the Argentine republic; of representations made to the Austro-Hungarian government against the unduly oner us treatment of naturalized American citizens of his cordial sympathy with the international effort to regulate the liquor trade in Africa and his hope that restriction of this traffic may be extended over all uncivilized peoples; of a con-ference to be held at Brussels Dec. 11 to further international protection of trade-marks and pat-ents; of the progress made in enlarging postal facilities in South America; of efforts made to secure fair play for American goods in the mar-kets of Brazil; of a number of minor South and

Central American negotiations; and on the sub-ject of the Paris exposition he says: Despite drawbacks the contribution of the United States was not only the largest foreign display, but was among the earliest in place and the most orderly in arrangement. Our exhibits were shown in one hundred and one out of one hundred and twenty-one classes, and more completely covered the entire classification than those of any other nation. In total num-ber they ranked next after those of France, and the attractive form in which they were presented secured general attention. A criterion of the extent and success of our participation and of the ganized is seen in the awards granted to Ameri can exhibitors by the international jury, namely, grand prizes, 240; gold medals, 597; silver medals, 776; bronze medals, 541, and honorable menions, 322-2,476 in all, being the greatest total umber given to the exhibit of any exhibiting nation, as-well as the largest number in each grade. This significant recognition of merit in ompetition with the chosen exhibits of all other nations and at the hands of juries almost wholly made up of representatives of France and other competing countries is not only most gratifying but is especially valuable, since it sets us to the front in international questions of supply and demand, while the large proportion of awards in the classes of art and artistic manufactures afforded unexpected proof of the stimulation of national culture by the prosperity that flows from natural productiveness joined to

Relations with Germany.

Good will prevails in our relations with the the long-pending question of the admission of our life-insurance companies to do business in Prussia has been reached. One of the principal companies has already been readmitted and the

An Imperial meat-inspection law has been enacted for Germany. While it may simplify the inspections, it prohibits certain products heretofore admitted. There is still great uncertainty as to whether our well-nigh extinguished German trade in meat products can revive under its new burdens. Much will depend upon regulations not yet promulgated, which we confidently hope will be free from the discriminations which attended the enforcement of The remaining link in the new lines of direct

telegraphic communication between the United States and the German empire has recently been completed, affording a gratifying occasion for exhange of friendly congratulations with the Ger-

With Great Britain.

Our friendly relations with Great Britain conimportant questions. A condition unusual in nternational wars was presented in that while had no ports, shipping, or direct trade, but was only accessible through the territory of a neutral. Vexatious questions arose through proved, reflected the views and purposes of the other co-operating governments, all our efforts bave been directed toward ending the anomalous to Portuguese South Africa, on the score of

Such consignments in British ships, by which lone direct trade is kept up between our ports and Southern Africa, were seized in application from trading with the enemy without regard to any contraband character of the goods, while argoes shipped to Delagoa Bay in neutral botoms were arrested on the ground of alteged desthation to enemy's country. Appropriate rep-resentations on our part resulted in the British overnment agreeing to purchase outright all uch goods shown to be the actual property of American citizens, thus closing the incident to parties, although, unfortunately, without proad settlement of the question of a neutral's right to send goods not contraband per se to a outral port adjacent to a belligerent area

Alaskan Boundary.

The work of marking certain provisional boundmd the head of Lynn canal, in accordance with the temporary arrangement of October, 1890, was completed by a joint survey in July last. The modus vivendi has so far worked without friction, and the Dominion government has pro-vided rules and regulations for securing to our that the citizens or subjects of either power found by that arrangement within the temporary jurisdiction of the other shall suffer no diminution of the rights and privileges they have hitherto enjoyed. But however necessary such an expedient may have been to tide over the grave emergencies of the situation, it is at best but an unsatisfactory makeshift, which should not be affered to delay the speedy and complete establishment of the frontier line to which we are entitled under the Russo-American treaty for the

cession of Alaska. In this relation I may refer again to the of definitely marking the Alaskan boundary where it follows the one hundred and forty-first meri-dian. A convention to that end has been before the senate for some two years, but as no action convention for a joint determination of the mer dian by telegraphic observations.

Lynchings of Foreigners.

In my last message I referred at considerable length to the lynching of five Italians at Tallu-lah. Notwithstanding the efforts of the Federal government, the production of evidence tending to inculpate the authors of this grievous offense against our civilization, and the repeated i quests set on foot by the authorities of the sta of Louisiana, no punishments have followed. So cessive grand juries have failed to indict. representations of the Italian government in the face of this miscarriage have been most temper

Setting the principle at issue high above all setting the principle at issue agn above all consideration of merely pecuniary indemnification, such as this government made in the three previous cases. Italy has solemuly invoked the pledges of existing treaty and asked that the justice to which she is entitled shall be meted n regard to her unfortunate countrymen in our would give to any American were his reciprocal

I renew the urgent recommendations I ma last year that the congress appropriately confer upon the Federal courts jurisdiction in this class of international cases where the ultimate respon-sibility of the Federal government may be in-volved, and I invite action upon the bills to accomplish this which were introduced in the enate and house. It is incumbent upon us to remedy the statutory omission which has led and may again lead, to such untoward results pointed out the necessity and the prece r legislation of this character. Its enact nent is a simple measure of previsory justic oward the nations with which we as a s

such action as the primary and, indeed, th most essential element in the disposal of the Tallulah incident. I advise that, in accordance with precedent, and in view of the improbability of that particular case being reached by the bill now pending, congress make gracious provision for indemnity to the Italian sufferers in the ame form and proportion as heretofore

In my inaugural address I referred to the gen ng must not be tolerated in a great and civilized country like the United States; courts, not mobs, must execute the penalties of the law. The preservation of public order, the right of discussion, the integrity of courts, and the orderly administration of justice must continu forever the rock of safety upon which our government securely rests." This I most urgent citerate and again invite the attention of my ountrymen to this reproach upon our civiliza-

Relations with Japan.

The closing year has witnessed a decided strengthening of Japan's relations to other states. The development of her independent judicial and administrative functions under the treaties which took effect July 17, 1809, has proceeded without international friction, showing the competence of the Japanese to hold a foremost place among modern peoples.

In the treatment of the difficult Chinese problems Japan has acted in harmonious concerwith the other powers, and her generous co-oper ation materially aided in the joint relief of the beleaguered relations in Pekin and in bringing about an understanding preliminary to a settle-ment of the issues between the powers and China. Japan's declaration in favor of the integrity of the Chinese empire and the conservation world trade therewith have been frank and positive. As a factor for promoting the general in-terests of peace, order and fair commerce in the Far East the influence of Japan can hardly be

The valuable aid and kindly courtesies extend ed by the Japanese government and naval officers to the battleship Oregon are gratefully appre-

ciated. criminatory enforcement of a bullonic quaranting against Japanese on the Pacific coast and of interference with their travel in California and Colorado under the health laws of those states. The latter restrictions have been adjudged by Federal court to be unconstitutional. No recur tence of either cause of complaint is apprehended

International Arbitration.

It is with extistantian that I am able to an on Sept. 4, of the deposit of the ratifications of the Convention for the Pacific Settlement of in-ternational Disputes between Sixteen Powers, namely, the United States, Austria, Belgium benmark, England, France, Germany, Italy, Per sia, Portugal, Roumania, Russia, Siam, Spain, Sweden and Norway and the Netherlands. Japan also has since ratified the convention.

The administrative Council of the Permanen Court of Aribtration has been organized and ha adopted rules of order and a constitution for the International Aribtration Bureau. In accordance with Article XXIII of the Convention providing for the appointment by each signatory power of persons of known competency in questions of in-ternational law as arbitrators. I have appointed as members of this court, Hon. Benjamin Harrison, of Indiana, ex-president of the United States; Hon. Melville W. Fuller, of Illinois, chief justice of the United States; Hon. John W. Griggs, of New Jersey, attorney general of the United States; and Hon. George Gray, of Dela-ware, a judge of the circuit court of the United States.

The all-important matter of an inter-ocean canal has assumed a new phase. Adhering to its refusal to re-open the question of the forfeiture of the contract of the Maritime Canal company, which was terminated by the alleged non-execu-tion in October, 1899, the government of Nicaragua has since supplemented that action by defor non-payment of the stipulated advance. Protests in relation to these acts have been filed in the state department and are under consideration. Decming itself relieved from existing engagements, the Nicaraguan government shows a disposition to deal freely with the canal question either in the way of negotiations with the United States or by taking measure to promote the water-way.

Overtures for a convention to effect the build-States are under consideration. In the meantime may be awaited.

I commend to the early attention of the senat the convention with Great Britain to facilitate the construction of such a canal and to remo convention commonly called the Clayton-Bulwe

Relations with Spain.

Satisfactory progress has been made toward th intercourse with Spain in replacement of the old treaty, which passed into abeyance by reason of the late war. A new convention of extradi tion is approaching completion, and I should be to follow. I feel that we should not suffer to pass any opportunity to re-affirm the cordial ties that existed between us and Spain from the time of our earliest independence, and to enhance the mutual benefits of that commercial intercourse which is natural between the two coun

By the terms of the Treaty of Peace the line bounding the ceded Philippine group in the southwest failed to include several small islands lying westward of the Sulus, which have always been recognized as under Spanish control. The occupation of Sibutu and Cagayan Sulu by our naval forces elicited a claim on the part of Spain, the essential equity of which could not be gainsaid. In order to cure the defect of the reaty by removing all possible ground for futuruisunderstanding respecting the interpretation of its third article, I directed the negotiation of a supplementary treaty, which will be forth-with laid before the senate, whereby Spain quits all title and claim of title to the island ing to the Philippine Archipelago lying outsidthe lines described in said third article, and agrees that all such islands shall be comprehend ed in the cession of the archipelago as fully a if they had been expressly included within those lines. In consideration of this cession the United States is to pay Spain the sum of \$100,000.

A bill is now pending to effect the recomm dation made in my last annual message that ap ropriate legislation be had to carry into execu-ion Article VII of the Treaty of Peace with Spain, by which the United States assumed the payment of certain claims for indemnity of its

itizens against Spain. I ask that action be

Claims Against Turkey. We await the fulfillment of the promise Sultan to make reparation for the injuries suf-fered by American citizens in Armenia and else-where in the Turkish empire. His Majesty's good disposition in this regard has been evinced by the issuance of an irade for rebuilding the Amer

ican college at Harpoot. Reciprocity Treaties.

The failure of action by the senate at its las ssion upon the commercial conventions ther although caused by the great pressure of othe legislative business, has caused much disappointment to the agricultural and industrial interests of the country, which hoped to profit by their provisions. The conventional periods for their atification having expired, it became necessary o sign additional articles extending the tim part, and the other governments interested have oncurred with the exception of one convention, a respect to which no formal reply has been re-

this subject special commercial agreements under the third section of the tariff net have been Gegmany. Commercial conventions under the general limitations of the fourth section of the same act have been concluded with Nicaragua, with Ecuador, with the Dominican republic, with Great Britain on behalf of the Island of Trinidad, and with Denmark on behalf of the Island of St. Croix. These will be early communicated to the senate. Negotiations with other governments are in progress for the improve-

The policy of reciprocity so manifestly rests upon the principles of international equity and has been so repeatedly approved by the people of the United States that there ought to be no ... A large increase in national-bank-note circuof the United States that there ought to be no hesitation in either branch of congress in giving to it full effect. This government desires to preserve the most just and amicable commercial relations with all foreign countries, unmoved by the industrial rivalries necessarily developed in the expansion of international trade. It is believed that the foreign governments generally entertain the same purpose, although in some instances there are clamorous demands upon them for legislation specifically heatile to American. for legislation specifically hostile to American interests. Shall these demands prevail I shall communicate with the congress with the view of advising such legislation as may be necessary to meet the emergency.

Pan-American Exposition.

The exposition of the resources and product of the Western hemisphere to be held at Buffalo next year promises important results not only for the United States, but for the other participating countries. It is gratifying that the Latin-American states have evinced the liveliest interest, and the fact that an international Amer while the exposition is in progress encourages the hope of a larger display at Buffalo than might otherwise be practicable. The work of preparing an exhibit of our national resources is making satisfactory progress under the direction of different officials of the Federal government, and the various states of the Union have shown a disposition toward the most liberal participation in the enterprise

Consular Service.

The practical utility of the consular service the industries and commerce of other countries and the opportunities thereby afforded for intro-ducing the sale of our goods have kept steadily in advance of the notable expansion of our for eign trade, and abundant evidence has been furnished, both at home and abroad, of the fact that the consular reports, including many from our diplomatic representatives, have to a considerable extent pointed out ways and means of disposing of a great variety of manufactured goods which otherwise might not have found sale

cial efficiency of the consular corps seems to be conclusive, and our own manufacturers and ex-porters highly appreciate the value of the services rendered not only in the printed reports but also in the individual efforts of consular offiers to promote American trade. An increasing part of the work of the bureau of foreign com-merce, whose primary duty is to compile and print the reports, is to answer inquiries from trade organizations, business houses, etc., as to conditions in various parts of the world, and, notwithstanding the smallness of the force em-ployed, the work has been so systematized that responses are made with such promptitude and accuracy as to elicit flattering encomiums. The experiment of printing the consular reports daily for immediate use by trade bodies and the press, which was begun in January, 1898, continues to give general satisfaction.

Internal Affairs.

T IS GRATIFYING to be able to state that the June 30, 1900, were \$79,527,000.18. For the six preceding years we had only deficits, the aggregate of which from 1894 to 1899, inclusive, amounted to \$283,022,991.14. The receipts for the year from all sources, exclusive of postal revenues, aggregated \$507,240,851.89, and expenditures for all purposes, except for the admin-istration of the postal department, aggregated \$487,713,791.71. The receipts from customs were \$223,164,871,16, an increase over the preceding ear of \$27,036,389.41. The receipts from interoal revenue were \$205,327,026,76, an increase of \$21,890,765.25 over 1899. The receipts from mis ellaneous sources were \$38,748,053.97, as against

836,394,976,92 for the previous year.

It is gratifying also to note that during the year a considerable reduction is shown in the expenditures of the government. The war department expenditures for the fiscal year 1900 were \$131.774.787.780 and the fiscal year 1900 and the increase of our navy, means more work ver those of 1899. In the navy department the expenditures were \$55,953,077,72 for the year 900, as against \$63,942,104.25 for the preceding ear, a decrease of \$7,989,026.53. In the expendi ures on account of Indians there was a decreasivil and miscellaneous expenses for 1900 ther vas a reduction of \$13,418,065,74.

Treasury Condition Strong.

Because of the excess of revenues over expe litures the secretary of the treasury was en abled to apply bonds and other securities to the sinking fund to the amount of \$56,511,556,06 The secretary of the freasury estimates that the 580,000,000 and the expenditures \$500,000,000 leaving an excess of revenues over expenditure of \$80,000,000. The present condition of the reasury is one of undoubted strength. The vailable cash balance Nov. 30 was \$130,363,764.50 Under the form of statement prior to the finan-cial law of March 14 last there would have seen included in the statement of available cash gold coin and bullion held for the redemption

If this form were pursued, the cash balance could be \$289,303,791,50. Such balance. Nov 0, 1899, was \$296,455,301.55. In the and, which is wholly separate from the reserve and trust funds, there was on Nov. 20, 870,000. e added \$22,957,300 in gold certificates subject to issue, against which there is held in the division of redemption gold coin and bullion making a total holding of free gold amounting

the disposition of the congress to provide what-ever further legislation is needed to insure the ontinued parity under all conditions between

Refunding Operations

Our surplus revenues have permitted to etary of the treasury since the close of the fiscacar to call in the funded loan of 1891 continue including Nov. 30, \$23,458,100 of these bonds amount which may accrue from further redemptions under the call, will be applied to the The law of March 11, 1990, provided for re-

funding into 2 per cent, thirty-year bonds, payable, principal and interest, in gold coin of the present standard value, that portion of the public debt represented by the 3 per cent, bonds 1908, the 4 percents of 1907, and the 5 percents of 1904, of which there was outstanding at the date of said law \$839,149,930. The holders of the old bonds presented them for exchange between March 11 and Nov. 30 to the amount of \$364,943,750. The net saving to the govern nent on these transactions aggregates \$3,106,166 Another effect of the operation, as stated by the secretary, is to reduce the charge upon the treasury for the payment of interest from the dates of refunding to Feb. 1, 1904, by the sum of more than seven million dollars annually. From Feb. 1, 1964, to July 1, 1997, the annual nterest charge will be reduced by the sum of more than five millions, and for thurteen month ending Aug. 1, 1998, by about one million.

Banking Progress.

The Ecnencial edect of the financial act 190, so far as it relates to a modification of the cational banking act, is already apparent. The provision for the incorporation of national banks not exceeding three thousand inhabitants has resulted in the extension of banking facilities provide themselves with banking institution under the national system. There were o ized from the enactment of the law up to including Nov. 30, 360 national banks, of which with capital of \$50,000 or more. It is worthy of mention that the greater num

of banks being organized under the new law are in sections where the need of banking facili-ties has been most pronounced. Iowa stands first, with 30 banks of the smalls, class, while Texas, Okiahoma, Indian territory, and the mid-

The party in power is committed to such leg-islation as will better make the currency re-sponsive to the varying needs of business at ail scusons and in all section

Foreign Trade. Foreign Trade.

Our foreign trade shows a remarkable record of commercial and industrial progress. The total of imports and exports for the first time in the history of the country exceeded two billions of dollars. The exports are greater than they have ever been before, the total for the fiscal year 1900 being \$1,394,483,082, an increase over 1898 of \$167,450,780, an increase over 1898 of \$167,450,780, an increase over 1808 of \$163,-000,752, over f897 of \$313,489,526, and greater than 1896 by \$511,876,144.

The growth of manufactures in the United States is evidenced by the fact that exports of manufactured exports largely exceed those of any previous year, their value for 1900 being

any previous year, their value for 1900 being \$433,851,750, ngainst \$339,592,146 in 1809, an increase of 28 per cent.

Agricultural products were also exported during 1900 in greater volume than in 1809, the total for the year being \$835,858,123, against \$784,776,-

The imports for the year amounted to \$849. 911.181, an increase over 1899 of \$152,792,695. This increase is largely in materials for manufacture, and is in response to the rapid develop-ment of manufacturing in the United States. While there was imported for use in manufactures in 1900 material to the value of \$79,768,972 excess of 1899, it is re-assuring to observe that there is a tendency toward decrease in the im-portation of articles manufactured ready for consumption, which in 1900 formed 15.17 per cent, of the total imports, against 15.51 per cent in 1899 and 21.09 per cent in 1896.

I recommend that the congress at its present session reduce the internal revenue taxes imposed to meet the expenses of the war with Spain in the sum of thirty millions of dollars. This reduction should be secured by the rem those taxes which experience has shown to be the most burdensome to the industries of the people. I especially urge that there he included in whatever reduction is made the legacy tax bequests for public uses of a literary, educational,

American Shipping.

American vessels during the past three years have carried about 9 per cent, of our exports and imports. Foreign ships should carry the least, not the greatest, part of American trade. The remarkable growth of our steel industries, the progress of ship-building for the domestic trade, and our steadily maintained expenditures for the navy have created an opportunity to place the United States in the front rank of com-

nercial maritime powers. his will mean the establishment and healthy growth along all our coasts of a distinctive na-tional industry, expanding the field for the pro-fitable employment of labor and capital. It will increase the transportation facilities and reduce reight charges on the vast volume of products brought from the interior to the seaboard for export, and will strengthen an arm of the national defense upon which the founders of the again urging immediate action by congress measures to promote American shipping and for-eign trade. I direct attention to the recommendations on the subject in previous messages, and particularly to the opinion expressed in th

sage of 1800:
"I am satisfied the judgment of the country favors the policy to aid our merchant marine, which will broaden our commerce and markets guard to American interests in every part of the

world.

In my last annual message to the congress I called attention to the necessity for early action to remedy such evils as might be found to exist in connection with combinations of capital or

gauized into trusts, and again invite attention to my discussion of the subject at that time, which concluded with these words:

"It is apparent that uniformity of legislation opon this subject in the several states is much to be desired. It is to be hoped that such uniformity, founded in a wise and just discrimination between what is injurious and what is useful and necessary in business operations, may be ob-tained, and that means may be found for the congress, within the limits of its constitution ower, so to supplement an effective code of state legislation as to make a complete system of laws throughout the United States adequate to

compel a general observance of the salutary rules to which I have referred. "The whole question is so important and far-reaching that I am sure no part of it will be lightly considered, but every phase of it will have the studied deliberation of the congress, resulting in wise and judicious action."

Restraint upon such combinations as are in-jurious, and which are within Federal jurisdic-

tion, should be promptly applied by the congress.

The Philippines. IN MY LAST ANNUAL MESSAGE I dwelt at IN MY LAST ANNUAL MESSAGE I some length upon the condition of allairs in the Philippines. While seeking to impress upon the Philippines. While seeking to impress upon you that the grave responsibility of those island rests with the congress of the United States, abstained from recommending at that time specific and final form of government for the territory actually held by the United States torces and in which as long as insurrection con-tinues the military arm must necessarily be supreme. I stated my purpose, until the coasion of its will, to use the authority vested in me by the constitution and the statutes to up-hold the sovereignty of the United States in those distant islands as in all other places where our flag rightfully floats, placing, to that cud, at the disposal of the army and navy all the means which the liberality of the congress and the people have provided. No contrary ex-pression of the will of the congress having been made. I have steadfastly pursued the purpose so declared, employing the civil arm as well to-

of authority and law.

Progress in the hoped-for direction has been favorable. Our forces have successfully controlled the greater part of the islands, overcoming the organized forces of the insurgents and carrying order and administrative regularity most part scattered, obeying no concerted plan of strategic action, operating only by the meth-ods common to the traditions of guerrilla war-fare, which, while ineffective to alter the general control now established, are still sufficient ta-beget insecurity among the populations that have felt the good results of our control and thus delay the conferment upon them of the fuller measures of local self-government, of eaucation, and of industrial and agricultural devel-opment which we stand ready to give them.

Civil Commission Named.

The president tells in detail of his naming of a civil commission and of his instructions to them, communicated through the secretary of war. Following is the essential part of their

instructions, they should in general be enjecter making themselves familiar with the tions and needs of the country, to devote their ment of municipal governments, in which the opportunity to manage their own local affairs to the fullest extent of which they are capable and subject to the least degree of supervision and control which a careful study of their cap